

Industry-Specific Apportionment – Publishers

Revenue Laws Study Committee
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Apportionment

- Income of a multistate business is generally apportioned by use of a 3-factor formula
 - Property
 - Payroll
 - Sales (double weighted)
- Numerator consists of property, payroll and sales in NC
- Denominator consists of property, payroll and sales everywhere

Current Industry-Specific Formulas

- Railroads – railway operating revenue
- Telephone Companies – operating revenue from local service
- Motor Carriers – vehicle miles
- Public Utilities – sales factor only
- Air/Water Carriers – revenue ton miles

Numerator: Sourcing Sales to NC

- Sales of tangible personal property received by a purchaser in NC
- Receipts are from real or tangible personal property located in NC
- Receipts from intangible property received from sources in NC
- Receipts from services and the income producing activity is in NC

Issue:

- When the benefit of the service is received in NC but some or all of the service is performed outside NC

Example 1:

- New York publisher sells periodicals in NC that contain advertising, some of which is solicited from NC advertisers
- Advertising layout and printing are performed in NY.
- Receipts from sales of magazines in NC are sourced to NC
- Receipts from sales of advertising is sourced to NY

Example 2:

- Virginia publisher of a free publication distributes material containing a substantial amount of advertising to a specific region in NC
- 100% of the advertising was solicited from businesses within that region
- Advertising layout and printing are performed in VA
- 100% of receipts from sales of advertising is sourced to VA

Recommendation

- Adopt Industry-Specific apportionment formula
- 3-factor formula
- Payroll Factor – unchanged
- Property Factor – modify to assign outer-jurisdictional property to the numerator based on the percentage of uplinks or downlinks located in NC, or exclude from the factor altogether

Recommendation

- Sales of tangible personal property – unchanged
- Sales of advertising and the sale, rental or other use of the publisher's customer lists – source to NC based on a "circulation factor" determined for each publication containing advertising

Recommendation

- Circulation Factor – ratio of NC circulation to total circulation everywhere as determined by reference to rating statistics from sources such as the Audit Bureau of Circulations
- Limited regional or local geographic area publications may be specifically sourced to the numerator if approved by the Secretary of Revenue



Questions?